

**Introduced by Senator Allen**

February 27, 2015

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An act to add Section 39735 to the Health and Safety Code, relating to energy.

**LEGISLATIVE COUNSEL'S DIGEST**

SB 687, as introduced, Allen. Renewable gas standard.

The California Global Warming Solutions Act of 2006, establishes the State Air Resources Board as the state agency responsible for monitoring and regulating sources emitting greenhouse gases. The act requires the state board to adopt regulations to require the reporting and verification of statewide greenhouse gas emissions and to monitor and enforce compliance with this program. The act requires the state board to adopt a statewide greenhouse gas emissions limit, as defined, to be achieved by 2020, equivalent to the statewide greenhouse gas emissions level in 1990. The state board is required to adopt rules and regulations in an open public process to achieve the maximum technologically feasible and cost-effective greenhouse gas emission reductions. The act authorizes the state board to adopt market-based compliance mechanisms, as defined, meeting specified requirements. Existing law requires the state board to complete a comprehensive strategy to reduce emissions of short-lived climate pollutants, as defined, in the state.

Under existing law, the Public Utilities Commission has regulatory authority over public utilities, including gas corporations. Existing law requires the commission to adopt policies and programs that promote the in-state production and distribution of biomethane, as defined, that facilitate the development of a variety of sources of in-state biomethane. Existing law requires the commission to adopt pipeline access rules that ensure that each gas corporation provides nondiscriminatory open

access to its gas pipeline system to any party for the purposes of physically interconnecting with the gas pipeline system and effectuating the delivery of gas.

The Warren-Alquist State Energy Resources Conservation and Development Act establishes the State Energy Resources Conservation and Development Commission and requires it to prepare an integrated energy policy report on or before November 1, 2003, and every 2 years thereafter. The act requires the report to contain an overview of major energy trends and issues facing the state, including, but not limited to, supply, demand, pricing, reliability, efficiency, and impacts on public health and safety, the economy, resources, and the environment. Existing law requires the State Energy Resources Conservation and Development Commission to hold public hearings to identify impediments that limit procurement of biomethane in California, including, but not limited to, impediments to interconnection and to offer solutions to those impediments as part of the integrated energy policy report.

This bill would require the state board, on or before June 30, 2016, in consultation with the State Energy Resources Conservation and Development Commission and the Public Utilities Commission, to adopt a carbon-based renewable gas standard, as defined and specified, that requires all gas sellers, as defined, to provide specified percentages of renewable gas meeting certain deliverability requirements, to retail end-use customers for use in California, that increases over specified compliance periods. The bill would require the state board, on or before January 1, 2017, to issue an analysis of the lifecycle emissions of greenhouse gases and reductions for different biogas types and end uses.

Vote: majority. Appropriation: no. Fiscal committee: yes.  
State-mandated local program: no.

*The people of the State of California do enact as follows:*

- 1 SECTION 1. The Legislature finds and declares all of the
- 2 following:
- 3 (a) California has enacted numerous policies to reduce emissions
- 4 of greenhouse gases and to increase the use of renewable energy
- 5 resources and renewable fuels, including the California Global
- 6 Warming Solutions Act of 2006 (Division 25.5 (commencing with
- 7 Section 38500) of the Health and Safety Code), the California
- 8 Renewables Portfolio Standard Program (Article 16 (commencing

1 with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the  
2 Public Utilities Code), the low carbon fuel standard (Executive  
3 Order S-01-07 (January 19, 2007); Title 17 California Code of  
4 Regulations Sections 95480 to 95490, inclusive), and the state's  
5 comprehensive strategy to reduce emissions of short-lived climate  
6 pollutants (Section 39730 of the Health and Safety Code).

7 (b) Use of natural gas causes more than one-quarter of all  
8 emissions of greenhouse gases in California. Wildfires cause more  
9 than one-half of all black carbon emissions, and organic waste is  
10 responsible for three of the state's five largest sources of methane  
11 emissions.

12 (c) Capturing and using methane gas from renewable sources  
13 (renewable gas) can significantly reduce emissions of greenhouse  
14 gases from fossil fuel use, organic waste, wildfires, and  
15 petroleum-based fertilizers. Using renewable gas in place of just  
16 10 percent of California's fossil fuel derived gas supply would  
17 reduce emissions of greenhouse gases by tens of millions of metric  
18 tons of carbon dioxide equivalent emissions per year. Renewable  
19 gas generated from organic waste provides the lowest carbon  
20 transportation fuels in existence and can provide low carbon,  
21 flexible fuel for the generation of electricity.

22 (d) Increasing use of renewable gas in California will protect  
23 disadvantaged communities by reducing air and water pollution  
24 from fossil fuel refining and combustion. Renewable gas used in  
25 place of diesel in heavy-duty vehicles will protect public health  
26 by reducing toxic air contaminants.

27 (e) Renewable gas provides significant economic benefits to  
28 California, including job creation, an in-state source of gas,  
29 increased energy security, revenue and energy for public agencies,  
30 and revenue for dairies, farms, rural forest communities, and other  
31 areas.

32 (f) It is in the interest of the state to establish a renewable gas  
33 standard that will diversify and decarbonize California's gas  
34 supply, to provide lower carbon gas for electricity generation,  
35 transportation fuels, heating, and industrial purposes.

36 (g) A renewable gas standard will reduce emissions of  
37 greenhouse gases from the oil and gas sector and from the solid  
38 waste, food and agriculture, water and wastewater, and forestry  
39 sectors. It will increase in-state gas supplies and provide jobs and  
40 increased energy security for California.

(h) A renewable gas standard will help California to meet the waste diversion requirements of Section 41781.3, Article 1 (commencing with Section 41780) of Chapter 6 of Part 2 of, and Chapter 12.9 (commencing with Section 42649.8) of Part 3 of, Division 30 of the Public Resources Code, by using diverted organic waste to produce renewable gas.

SEC. 2. Section 39735 is added to the Health and Safety Code, to read:

39735. (a) For purposes of this section, the following terms have the following meanings:

(1) “Biogas” means gas that is generated from organic waste or other organic materials, through anaerobic digestion, gasification, pyrolysis, or other technology that converts organic waste to gas. Biogas may be produced from, but not limited to, any of the following sources:

(A) Agricultural waste remaining after all reasonably usable food content is extracted.

(B) Forest waste produced from sustainable forest management practices.

(C) Landfill gas.

(D) Wastewater treatment gas and biosolids.

(E) Diverted organic waste, if the waste is separated and processed to (i) enhance the recovery of recyclable materials and (ii) minimize air emissions and residual wastes in accordance with applicable standards.

(2) “Eligible feedstock” means organic waste or other sustainably produced organic material and electricity generated by an eligible renewable energy resource meeting the requirements of the California Renewables Portfolio Standard Program (Article 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of Division 1 of the Public Utilities Code).

(3) “Gas seller” means a gas corporation, as defined by Section 222 of the Public Utilities Code, or another entity authorized to sell natural gas pursuant to natural gas restructuring (Chapter 2.2 (commencing with Section 328) of Part 1 of Division 1 of the Public Utilities Code), including sales to core and noncore customers pursuant to natural gas restructuring.

(4) “Renewable gas” means gas that is generated from organic waste or other renewable sources, including electricity generated by an eligible renewable energy resource meeting the requirements

1 of the California Renewables Portfolio Standard Program (Article  
2 16 (commencing with Section 399.11) of Chapter 2.3 of Part 1 of  
3 Division 1 of the Public Utilities Code). Renewable gas includes  
4 biogas and synthetic natural gas generated from an eligible  
5 feedstock.

6 (5) “Renewable gas standard” means the quantity of renewable  
7 gas that a gas seller is required to provide to retail end-use  
8 customers for use in California for each compliance period set  
9 forth in subdivision (b).

10 (b) (1) On or before June 30, 2016, the state board, in  
11 consultation with the State Energy Resources Conservation and  
12 Development Commission and the Public Utilities Commission,  
13 shall adopt a carbon-based renewable gas standard that requires  
14 all gas sellers to provide specified percentages of renewable gas  
15 to retail end-use customers for use in California. Each gas seller  
16 shall procure a minimum quantity of renewable gas for each of  
17 the following compliance periods:

18 (A) January 1, 2016, to December 31, 2019, inclusive. The state  
19 board shall require a gas seller to make reasonable progress  
20 sufficient to ensure that by the end of the compliance period not  
21 less than 1 percent of the gas supplied to retail end-use customers  
22 for use in California is renewable gas.

23 (B) January 1, 2020, to December 31, 2022, inclusive. The state  
24 board shall require a gas seller to make reasonable progress  
25 sufficient to ensure that by the end of the compliance period not  
26 less than 3 percent of the gas supplied to retail end-use customers  
27 for use in California is renewable gas.

28 (C) January 1, 2023, to December 31, 2024, inclusive. The state  
29 board shall require a gas seller to make reasonable progress  
30 sufficient to ensure that by the end of the compliance period not  
31 less than 5 percent of the gas supplied to retail end-use customers  
32 for use in California is renewable gas.

33 (D) January 1, 2025, to December 31, 2029, inclusive. The state  
34 board shall require a gas seller to make reasonable progress  
35 sufficient to ensure that by the end of the compliance period not  
36 less than 10 percent of the gas supplied to retail end-use customers  
37 for use in California is renewable gas.

38 (E) January 1, 2030, and thereafter. The state board shall require  
39 a gas seller to ensure that not less than 10 percent of the gas

1 supplied to retail end-use customers for use in California is  
2 renewable gas.

3 (2) Gas sellers shall be obligated to procure no less than the  
4 quantities associated with all intervening years by the end of each  
5 compliance period.

6 (c) Only renewable gas that meets any of the following  
7 conditions shall count toward meeting the procurement  
8 requirements of the renewable gas standard:

9 (1) The renewable gas is used onsite by an end-use customer in  
10 California.

11 (2) The renewable gas is used by an end-use customer in  
12 California and delivered through a dedicated pipeline.

13 (3) The renewable gas is delivered to end-use customers in  
14 California through a common carrier pipeline and meets all of the  
15 following requirements:

16 (A) The source of renewable gas injects the renewable gas into  
17 a common carrier pipeline that physically flows within California  
18 or toward the end-use customers for which the renewable gas was  
19 procured under the purchase contract.

20 (B) The source of renewable gas did not inject the renewable  
21 gas into a common carrier pipeline prior to March 29, 2012, or the  
22 source commenced injection of sufficient incremental quantities  
23 of renewable gas after March 29, 2012, to satisfy the purchase  
24 contract requirements.

25 (C) The seller or purchaser of the renewable gas demonstrates  
26 that the capture and injection of renewable gas into a common  
27 carrier pipeline directly results in at least one of the following  
28 environmental benefits to California:

29 (i) The reduction or avoidance of the emission of any criteria  
30 air pollutant in California.

31 (ii) The reduction or avoidance of pollutants that could have an  
32 adverse impact on waters of the state.

33 (iii) The alleviation of a local nuisance within California that  
34 is associated with the emission of odors.

35 (d) In adopting the renewable gas standard, the state board shall  
36 do all of the following:

37 (1) Notify all gas sellers in California of, and how to comply  
38 with, the renewable gas standard procurement requirements. The  
39 State Board of Equalization may supply the state board with  
40 information obtained as a result of its collection of the natural gas

1 surcharge pursuant to Article 10 (commencing with Section 890)  
2 of Chapter 4 of Part 1 of Division 1 of the Public Utilities Code,  
3 to assist the state board in identifying those gas sellers that are not  
4 gas corporations, as defined in Section 222 of the Public Utilities  
5 Code. The Public Utilities Commission shall notify the state board  
6 of each gas corporation that provides gas service to end-use  
7 customers in California.

8 (2) Maintain and publicize a list of eligible renewable gas  
9 providers. For these purposes, an eligible renewable gas provider  
10 means any person or corporation that is able to supply renewable  
11 gas meeting the deliverability requirements of subdivision (c).

12 (3) Adopt a flexible compliance mechanism, such as tradable  
13 renewable gas credits, to increase market flexibility and reduce  
14 costs of compliance. If the state board adopts tradable renewable  
15 gas credits, those credits shall be based on the carbon intensity of  
16 the renewable gas and shall give equal value to renewable gas that  
17 is used onsite and renewable gas that is injected into a common  
18 carrier pipeline. The flexible compliance mechanism shall also  
19 allow for credit banking and borrowing. The state board shall  
20 consult with the State Energy Resources Conservation and  
21 Development Commission in developing any system for tradeable  
22 renewable gas credits.

23 (4) The state board shall consult with the Public Utilities  
24 Commission in the development of regulations to implement the  
25 renewable gas standard as they affect gas corporations, subject to  
26 regulation as public utilities by the commission, in order to  
27 minimize duplicative reporting or regulatory requirements.

28 (5) In consultation with the State Energy Resources  
29 Conservation and Development Commission and the Public  
30 Utilities Commission, adopt a coordinated investment plan to  
31 ensure that moneys made available from revenues derived through  
32 adoption of a market-based compliance mechanism or through the  
33 Alternative and Renewable Fuel and Vehicle Technology Program  
34 or Air Quality Improvement Program, are used to reduce the costs  
35 to implement the renewable gas standard, including the costs of  
36 pipeline injection.

37 (e) On or before January 1, 2017, the state board shall issue an  
38 analysis of the lifecycle emissions of greenhouse gases and  
39 reductions for different biogas types and end uses, including, but  
40 not limited to, electricity generation, transportation fuels, heating

1 and industrial uses, and as a source of renewable hydrogen for fuel  
2 cells. The analysis shall include an assessment of other public  
3 health and environmental benefits, including benefits to  
4 disadvantaged communities, air and water quality, soil  
5 improvement, and wildfire reduction.

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